

# News Release



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## **U. S. Labor Department Sues President of Nashville Leasing Firm Over Misuse of Health Plan Assets**

**NASHVILLE, Tenn. --** The U.S. Department of Labor sued the president of Nashville-based Midland Services, Inc. for misusing commissions and refunds owed to a health plan sponsored by the firm. Midland was a staff-leasing firm that operated a multiple employer welfare arrangement for employees leased to client employers.

"This case shows the Administration's commitment to ensure that American workers receive all the benefits they are promised," said Howard Marsh, director of the Atlanta regional office of the Employee Benefits Security Administration (EBSA). The Labor Department's legal action will help ensure lost assets are restored to pay unpaid health claims of these workers."

Since 1990, the department has conducted more than 700 civil and criminal investigations of health plans affecting 1.9 million participants and their families. These cases involve \$140.5 million in identified violations.

The suit alleges that Midland and David Starkey violated the Employee Retirement Income Security Act (ERISA) when they received \$72,721 in illegal commissions and refunds of plan contributions, which were used for their personal benefit rather than to pay participant claims. The defendants allegedly selected a succession of service providers to insure the plan and provide administrative services between 1998 and 2002. In 1999 and 2001, two insurers defaulted on plan payment of claims.

The plan provided health benefits to approximately 469 participants under a re-insurance arrangement. In 1999, Merriam Reinsurance Company, Ltd. failed to pay \$47,372.70 in benefit claims. North American Indemnity of Belgium also defaulted on \$223,000 in claims in 2001.

The suit seeks a court order to require that Starkey restore certain plan losses with interest and return any illegal commissions he received. In addition, the suit asks the court to appoint an independent fiduciary to administer the plan and seeks to permanently bar the defendant from serving any employee benefit plan governed by ERISA in the future.

Midland Services was an employee staff leasing business that provided payroll services, workers compensation services, tax deposits and employee benefits to client employers. The plan provided health benefits for injury or illness to employees of participating employers.

The suit, filed in the federal district court in Nashville, resulted from an investigation conducted by EBSA's Atlanta regional office. Tips on health benefits for small employers may be found at EBSA's Web site under [www.dol.gov/ebsa/newsroom/fshlthinstips.html](http://www.dol.gov/ebsa/newsroom/fshlthinstips.html). Employers and workers can reach the Atlanta regional office at (404) 562-2156. Help with problems relating to private-sector retirement and health plans can also be obtained by calling EBSA's toll-free number, 1-866-444-EBSA (3272).

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(Chao v. Starkey)  
Civil Action No. 3:05-0014

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